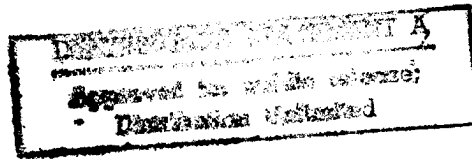


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JPRS 81522

12 August 1982



# USSR Report

ECONOMIC AFFAIRS

No. 1018

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CONTINUING SOVIET ECONOMIC CRISIS REVIEWED

Zurich NEUE ZUERCHER ZEITUNG in German 4-5 Jul 82 pp 9-10

[Article by Dr Hans-Hermann Hoehmann: "Continuing Soviet Economic Crisis"]

[Text] Reports from the Moscow Central Administration for Statistics about industrial development in the USSR in the first quarter of a year are hardly cause for headlines in the Western press <sup>1</sup>. This time it was different: The recently published growth rate of Soviet industry of only 2.1 percent for the months January through March seemed to signal a further deepening of the serious growth problems which have affected the development of the Soviet economy since the end of the 1970's.

Impetus for Growth Dampened

This repeatedly low industrial growth in the first quarter of 1982 in fact makes it plain that the decline in growth at the start of the 1980's has not been of a transitory nature and that the economic activity of the USSR since 1979 has declined to an overall path of growth that is clearly flatter, interrupted by crises in many areas of the economy. However, the industrial growth rate of 2.1 percent for the first 3 months makes the situation appear much worse than it actually is. Taking into consideration that there is 1 working day less in the first quarter of 1982, but 1 working day more for the entire year 1982, than in 1981, one can estimate an industrial growth rate of about 3.5 percent for all of 1982, possibly a little higher. One can expect industrial growth to recover from the low figures of the first 3 months in May. In 1982 this month has 2 working days more than last year.

Even if the soon to be expected speedup in growth is taken into account, the published figures for the development of Soviet industry are a further indication that the continuing difficulties in the growth of the Soviet economy are by no means only attributable to the repeatedly poor agricultural yields. Rather, the nature of the Soviet economic crisis consists of numerous, cumulative sectoral bottlenecks in the non-agricultural area currently coinciding with generally and chronically low efficiency and insufficient development in production and also with an unfavorable foreign economic situation. It is this very convergence of a persistently unsatisfactory domestic economic situation, renewed balance of payment difficulties in East-West trade and growing burdens on the Soviet economy from even poorer economic development in the CEMA area that distinguishes the present situation of the Soviet economy from that in 1979 and 1980. At that time the Soviet Union also had domestic economic problems, but hardly any problems in its balance of payments and also substantially fewer worries in the CEMA area <sup>2</sup>.

## Accumulation of Unfavorable Factors

Even if industrial development does not proceed as poorly in 1982 as could be surmised from the quarterly report, the results available so far mean that industrial growth--for long the growth motor of the Soviet economy--will stay at a clearly reduced level, compared with the past. The very ambitious 1-year plan for 1982, which was to be an attempt to link up again with the growth rhythm of the medium-term economic plan (1981-1985), following the poor start of the 11th 5-year plan in 1981, is clearly failing. Finally, the 11th 5-year plan, even in its essential parts, cannot be achieved. Our skeptical judgement of the prospects for the current medium-term plan is confirmed <sup>3</sup>.

Table 1. Annual Growth Rates of Industrial Production

### Year

1976-1980	4.4 percent	1981	3.4 percent
1978	4.8 percent	1982	3.5 percent*
1979	3.4 percent	1982 (Plan)	4.7 percent
1980	3.6 percent	1981-85 (Plan)	4.7 percent

\* Estimate

Sources: Statistical Yearbooks of the USSR, plan documents, reports on plan fulfilment.

### Deteriorating Supply

The persistently reduced growth is particularly critical from sectoral and regional points of view. Sectoral bottlenecks are showing up in the area of energy, iron and non-ferrous metals, in the chemical industry, in the construction material industry, in light industry and in meat production. Growth rates in crude oil output remain low, even if production continues to grow. Coal production is increasing only slightly, natural gas production, by contrast, is continuing to expand rapidly. In the area of metals, steel production, manufacture of rolled stock and iron ore mining are declining. Pipe production is at a standstill. In the area of chemicals the stagnation in the production of artificial fertilizer is the most serious. Shoe manufacture is falling, as is meat production and the manufacture of animal fats. Production of material and milk products is stagnating. All this means a deterioration in supplies for the population in important sectors of the living standard. The standstill in the level of supplies is aggravated by poor quality, inadequate selection and the need to wait in line for a long time for goods in short supply.

### Inadequate Productivity

With respect to regions, it is evident that below-average, slow industrial growth can be observed in the the economically most important republic of the Union, the RSFSR [Russian Soviet Federated Soviet Republic], to which both the economically developed regions in the west of the USSR and the developing areas beyond the Urals belong. In the first quarter, production here increased only by about 1.5 percent (corrected for work time, by a little over 2 percent). Industrial growth is being stabilized by a continuing rapid expansion of industrial growth in the less developed republics

of the Union, principally in the Transcaucasus and in Soviet Central Asia. Here there was a significant multiple use of labor. In the RSFSR, by contrast, growth in production and productivity was increased basically with a constant number of workers. The aim is to bring about development like this in itself by setting as a goal the "intensification of production." But if it is linked with a particularly low growth in productivity, its growth effect is negligible ("stagnating intensification"). In wide areas of the USSR the problem of economic development is that, because of an increasing shortage of labor, it is no longer possible to compensate for bottlenecks, at least partially, as was done previously in an extensive way, that is, through the multiple use of factors of production.

Table 2. Annual Growth Rates of Work Productivity in Industry

Year

1976-80	3.2 percent	1981	2.7 percent
1978	3.6 percent	1982	about 3.0 percent*
1979	2.4 percent	1982 (Plan)	4.1 percent
1980	2.6 percent	1981-85 (Plan)	4.2 percent

\* Estimate

Sources: Statistical Yearbooks of the USSR, plan documents, reports on plan fulfillment.

#### Strained Currency Situation

International ranking of the Soviet economy has worsened in two respects. For one, the net debt to the Western countries increased again in 1981-82; strains are beginning to show in the currency situation. The net amount owed to the West by the USSR from 1975 to 1980 grew by \$1 billion, but in 1981 alone it increased by an additional \$1.5 billion<sup>4</sup>. The renewed hard currency deficit can be attributed both to the slowed down growth of export revenues and also to the increased need for currency in connection with extensive imports of grain and steel products. The USSR's balance in trade with non-socialist countries was negative last year, following a substantial positive balance in 1980. Since massive grain imports will be necessary this year (estimated required amounts about 45 million tons) and since reduced currency income must be expected among the most important Soviet currency earners, mineral oil and natural gas, both with respect to quantity (poor delivery by the USSR, slowed growth of energy consumption in the West) and because of the way prices have developed, the problems of the USSR's payments could again reach critical dimensions in the summer of 1982.

The poor economic state of the smaller CEMA countries, which are having even greater difficulties than the USSR, is the second negative foreign economic factor taking effect. If the USSR wants to contribute to an avoidance of further deterioration of the economic situation in these countries, with its possible political effects, it will have to assume increasing economic costs in a direct or indirect fashion. For example, it must supply adequate amounts of crude oil to the CEMA area, with being able to insist on full payment in reciprocal services or in convertible currency. A too abrupt stoppage of energy supplies would further harm the economic

growth of the smaller East European countries, insisting on payment would so severely restrict their latitude in using their national income in the CEMA area that there would be a fear of serious consequences to economic growth, consumer supply and political stability. In addition, there is the direct assistance needed to alleviate the Polish economic crisis.

#### Interest in Consolidation

Because of its current domestic and foreign economic difficulties, the Soviet Union must be interested in a comprehensive economic consolidation in its own country and in the entire CEMA area. Three possible scenarios can be imagined in this context:

The scenario of muddling through: The Soviet Union postpones a fundamental consolidation, which could only be imagined in connection with sweeping economic reforms, and bets on the economy recovering by itself in its own country and in the CEMA area. The "advantages" of such a laissez-faire-scenario lie in avoiding all radical measures and the domestic and foreign political risks associated with them. The disadvantage of this type of solution, on the other hand, is the economic risk of not muddling through, but of muddling one's way into a worse situation.

The scenario of repressive integration: In this case the Soviet Union would follow a policy of patronizing the other East European countries economically, transform Eastern Europe into an economic recovery zone dominated by the Soviet Union, and pursue a domestic policy of stronger centralization and a nationally motivated campaign of "belt tightening." The consequences would be decreasing latitude for reform in Eastern Europe and increasing tension in foreign policy.

The scenario of reform, cooperation and autonomy; A third possibility would consist of pursuing a policy more strongly oriented toward domestic reform, working toward economic cooperation with the West and, to do this, striving to bring about foreign policy conditions that allow both an extensive, increased granting of credit from the West and a longer-term expansion of trade and cooperation. The smaller CEMA countries could simultaneously be offered greater latitude for internal reforms. For the Soviet Union cannot expect a permanent consolidation in the CEMA area from a further development of East-West economic relations alone, but only from improvements in efficiency in its domestic economy.

#### "Policy of Muddling Through"

If one examines the probability of these scenarios in the short or medium term, all the signs currently point to a continuation of the "policy of muddling through." The choice of the "scenario of repressive integration" may be attractive to the leadership of the USSR for the internal stabilization of the Soviet type of communist rule and for guaranteeing hegemony in foreign policy in the CEMA area. But the economic costs of such a policy are so high for the Soviet Union, at the same time the prospects for recovery are so slim, that this scenario only seems possible in a situation of heightened world crisis. The prospects for the "reform scenario" could improve over time. The increases in efficiency and the correction of the economic structure needed to restore Eastern Europe economically are not possible without more radical reforms which are oriented in each instance to national characteristics. The conditions of such reforms for the CEMA countries would however be unconditional loyalty to the USSR in foreign policy and the respecting of certain political conditions, such as guaranteeing the leading role of the Communist party.



#### FOOTNOTES

1. EKONOMICHESKAYA GAZETA, No 18, 1982, p 4.
2. Cf., "Sovjetunion 1980/81, Ereignisse, Probleme, Perspektiven," [Soviet Union 1980-81, Events, Problems, Prospects], published by the Institute for Eastern and International Studies, Cologne, Munich, 1981, pp 146 ff.
3. Cf., Hans-Hermann Hoehmann, "Der 11. Fuenfjahrplan der UdSSR (1981-1985): eine erste Einschaetzung," [The 11th Five-Year Plan of the USSR (1981-1985): A Preliminary Estimate], Current Analyses of the Institute for Eastern and International Studies, Cologne, No 46, 1980.
4. Cf., East European and Soviet Hard-Currency Trade and Debt in 1981, Centrally Planned Economies Current Analysis, Wharton Econometric Forecasting Associates, 27 April 1982.

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CSO: 1826/48

## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### EFFICIENCY IN MANAGEMENT REPORTED

Moscow PRAVDA in Russian 17 May 82 p 2

[Article by Aleksandr Nikitin: "The Efficiency of a Manager"]

[Text] Efficiency is an essential trait of the style of management. Speaking at the 17th Congress of USSR Trade Unions, Comrade L. I. Brezhnev once again recalled: "One must both work and get the work done." With reference to the economic manager this means to fulfill precisely on time the plans of the five-year plan and the decisions of the party and the government, to carry out in a concerned manner the search for innovative means of developing the economy and society as a whole.

#### A Talent or a Science?

"Each manager has his own specific interpretation of efficiency," says V. N. Akhramyev, general director of the Yushdizel'mash Association. "I believe that it is impossible to consider oneself efficient if you do not organize production so that all 3,000 clients would receive our motors on time, with an excellent quality."

Vasiliy Nikiforovich has spent more than a year in order to instill his interpretation of efficiency in others, so that the association would operate smoothly, "like a clock." An efficient person lives not only for today, but also for the future. The ability to foresee, to predict solves many things. And not only the need, for example, for diesel engines, but also for the development of human, interpersonal relations at the works.

The general director and the services of the association, the party and the trade union committees attach great importance to the new directions of the organization of the economy. While others were still working in the old way, "for the gross output," without directing too much attention to the strict fulfillment of the contracts, the Zaporozh'ye diesel makers undertook this in earnest. They changed the system of current planning, broadened the scope of technical specifications and modifications.

Previously the assemblers worked worst of all, although they often worked overtime. Why? There are not enough of first some parts, then others. It is not work, but running about. Now pre-assembled subassemblies and parts in "inscribed" containers are delivered for assembly. The client knows at every moment how the production of

his engine is proceeding and when it will be completed. And it has become easier for the assemblers. Previously they spent a week on a engine, now they spend 8 hours.

Efficient people have another trait--thriftiness, the ability to compare expenditures with revenues. And not only of their own enterprise. "Are you really the chairman of Gosplan?" colleagues asked V. N. Akhrameyev when he went to the Donbass to "rescue" the settlement of a closed mine. The seams of coal had been worked for half a century. But the grown settlement with its orchards and gardens, comfortable little houses was at the crossroads.

Vasiliy Nikiforovich looked over carefully, unhurriedly the mine buildings, which are unprepossessing in appearance. He also noted the sidings, the powerful electric power station, the water pumping station. He walked more than once through the settlement, which wallowed in the white froth of blooming cherry and apple trees. "Why this is a real hidden treasure!" the director decided. "And why turn the fate of the settlement into a kind of problem?"

At that time the director appealed to the party organs, got through to the government of the republic, the union ministries. He won back, it would seem, an "abandoned" project. And a branch of Yuzhdizel'mash rose near the city of Torez, it produces good quality goods for the people: their output has increased fivefold.

"At another such mine," V. N. Akhrameyev relates, "they began the production of simple parts for motors. At the main plant in the city of Tokmak of Zaporozhskaya Oblast 800 skilled metal workers were freed from these operations, they increased the output of engines."

The efficient person never consents to coverups, unlike B. M. Turgambayev, the deputy chief of an administration of the Kazakh SSR Ministry of Nonferrous Metallurgy, when he signed the state certificate of acceptance for operation of a project with 32 major flaws in workmanship. A lie has never yet been profitable, economical. The true manager is a fierce enemy of ostentation, first of all he seeks local reserves, places them at the service of the people, but does not request newer and newer capital investments from the state treasury.

It is impossible to judge efficiency without an analysis of the style of management, without consideration of the present demands of the party on the improvement of the management of the economy. The party committees should utilize more completely their rights to monitor the economic activity of the administration, especially when it is a question of the development of efficiency and socialist initiative and of the ruthless struggle against ostentation.

"We are now talking a lot about the role of science in production and in the improvement of the style of management," O. V. Filatov, general director of the Leningrad Svetlana Association, reasons. "But what is being done for this? Sectorial science both before and now has existed independently. It has its own balance sheet, the works has its own. But these 'parallel paths' are not necessary. What is more, they are harmful."

The question, let us note, is fundamental. Some administrators console themselves with the thought that the production workers themselves will reach the level of

scientists, "will be taken into" the group of their aspirations, "will be filled" with awareness and so on. But is it not better to do everything the other way round?--so the Leningraders decided. Otherwise it is very difficult to understand, who is teaching whom.

Not simply shops, sections and shifts, but scientific production complexes were set up and are operating at the Svetlana Association. These are qualitatively new structural subdivisions. The researchers and workers here are united by a single goal, are jointly responsible both for the level of technology and for the production plan. The complexes operate "on intimate terms"--from the development of a new thing to its realization.

Only in arithmetic does the sum remain constant when the components' order changes. But in economics and management, it does not remain constant. And how! The creators of innovations have now received all that's needed for uninterrupted introduction and setting up of series production and constant improvement. The dominant position of the man-creator, and not simply the administrator has become at the Svetlana Association an important factor which contributes to the increase of the efficiency of managers.

When I came to the association, the questions of the wages and the payment of bonuses to the managers of the scientific production complexes still remained unsolved. Of course, they received wages in accordance with their old positions, but performed the new duties on a voluntary basis. The efficiency of the workers of the staff of the sector and of the USSR State Committee for Labor and Social Problems turned out, alas, to be inconsistent with the efficiency of the Leningrad electronics workers.

How inconsistent? Ten years were needed for this question to be recently solved in part. The production workers and scientists now have uniform principles of remuneration for the end results of labor. The experience of the work at the Svetlana Association could also have been useful long ago to other plants, where the scientific potential of production is high, where the demands on the rapid updating of items are increasing.

Efficiency is the display of not only the talent of a person, but also daring. Let us be more specific: scientific daring--strictly weighed, substantiated. At the association they know how to be consumed with new items, to notice what is useful and promising in time. And they are trying to make the best universally accessible. The Svetlana Association has broad direct ties and contacts with hundreds of related partners and partners who are not entirely related, but are close in the style of management.

#### The Man From the Center

In any business dialogue not only the question, but also the answer are important. There can be no efficiency without the realization of the specific problems being submitted for discussion. And the higher the rank of an economic manager, the farther he is at times from local concerns. One need not go far for examples. However, if you do go a bit farther, the essence of the problem changes little.

Last year I had occasion to be a participant in the Sverdlovskaya Oblast applied science conference. First Secretary of the Oblast Party Committee B. N. Yel'tsin in a businesslike manner revealed in the report the experience of introducing the achievements of science and technology in industry of the oblast. In particular, it was stated: one must compare more precisely the cost of new equipment with the increase of its productivity. It was a question of unsolved problems of renovation and the means of its scientific backing.

The party workers, managers of enterprises and specialists awaited a concise evaluation of these and many other problems, of course, from the representative of the center. The guest was given the floor. Deputy Chairman of the USSR State Committee for Science and Technology V. M. Kudinov mounted the rostrum and began to tell about what comprehensive scientific and technical programs are, how many of them there are in the country. And the business conference immediately turned into a kind of lecture bureau. They expected a concrete analysis of the vital problems of the development of Ural industry, but heard a lecture on general questions, although it was well written.

It was not possible to speak with a number of such speakers: they were sent here "to enlighten" further. But there was a discussion with V. M. Kudinov. Correspondents of PRAVDA and URAL'SKIY RABOCHIY asked Vladimir Mikhaylovich the question: "In the speeches of the first secretary of the oblast party committee and the general directors there were questions for the state committee which you represent. Why did you evade responses to them?"

"Of course, the questions are serious," he explained. "Responses must be given to them. But why must precisely I give them? There was simply no time to look into the Ural problems."

They turned the conversation from how it was to how it should be. And everyone came to a unanimous conclusion: executives must go to the provinces, but not only for ceremonial speeches, not a day before a conference. It would be good to become acquainted with the economy of the region and its science, to speak with the managers and workers, to get to the heart of the matter. Then the speech would truly be businesslike.

Let us recall that Sverdlovsk is an unusual city: here they know the value of genuine efficiency. The veterans of the Uralmash Plant to this day remember well, and remember by sight, the legendary People's Commissar of Heavy Industry Sergo Ordzhonikidze. He came to the Urals frequently, investigated everything thoroughly and, in addition to everything else, knew how to speak with the workers in the plant yard.

A little less political chatter, V. I. Lenin appealed, a little more practical work! The unity of word and deed and a Leninist style of work were and remain the main criteria of the efficiency of a manager of any rank.

#### It Does Not Live Alone

It was also very correctly noted by V. N. Akhrameyev that efficiency does not live alone. It also lies in the ability to find for oneself allies, assistants. Not everyone succeeds at this, and not always.

In the meetings with directors of plants and associations you frequently hear: it is hard for them to solve many questions. The assistance of the functional services of one ministry or another, the executives of which at times assume the pose of "small people": our rights, they say, are few, is still weak. Efficiency and bureaucracy are antipodes. And victory in the conflict is inevitably with the people of state views.

"The business contact of the services of the ministry with the enterprises must be improved," I. D. Nagayevskiy, general director of Zhdanovtyazhmash, believes. "If you need something, open the way yourself. Go to the ministry, to Gosplan." But the fact that I "make a way" is necessary not for myself, not for a single enterprise. It is time, for example, to interest all designers and process engineers in decreasing the weight of items at the stage of designing, and not when production has been set up. The saving of metal should be planned and measured not as it is now, for the machine as a whole, but for each unit of capacity or, for example, the carrying capacity of a car.

In particular, I. D. Nagayevskiy suggested to convene if only from time to time joint meetings of the collegia of the Ministry of Ferrous Metallurgy and the Ministry of Heavy and Transport Machine Building and to make joint, uniform decisions. These sectors have very many common problems. One supplies metal, the other supplies equipment for its production. Giant enterprises are located close by, but their managers communicate with each other mainly through USSR Gosplan, by means of telegraph and documents.

It seems that a greater and greater number of decisions should be made by those who implement them. How is this to be done? A portion of the managerial powers are to be delegated to the middle and lower levels of management. And what should one do, for example, with the decisions which should be made without fail in the center? There is one solution--to increase the personal responsibility of the immediate "authors" for the quality of such decisions. To increase their liability, up to material liability, to the lower units of management, the labor collectives.

Obviously, it does not harm to face the highest units of economic management at the flow of practical suggestions from below, their prompt generalization, verification and implementation, which would expedite the solution of many problems of the economy. This will be genuine efficiency, which cannot live alone and radically differs from the utilitarian approach.

The union and republic departments and the sectorial ministries in many ways have been "freed" from the direct management of production. Hence, they should and can devote more attention to the improvement of the style of management at the level of the sectors.

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CSO: 1820/160

## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### MANAGERIAL STAFF REDUCTION, MANAGEMENT IMPROVEMENT

Moscow PRAVDA in Russian 2 Apr 82 p 2

[Article by Candidate of Economic Sciences L. Bayev, chief of the Department of the Improvement of Management of the Institute of Economic Problems of the Comprehensive Development of the National Economy of Moscow: "Fewer in Number"]

[Text] The director arrived from the conference upset. In the corridor the staff members whispered to each other: "There will be a reduction." And immediately tension was created, although by no means working tension. Many were certain: this campaign, like a sudden toothache, will soon pass, everything will resume its usual course. Of course, at the enterprise it is possible to cut a portion of the managers without detriment to the matter, the staff members reasoned, but how in this case does one achieve the greatest results? In order to truly improve management, one cannot make do really with a simple reduction. A thoroughly considered, comprehensively weighed system of measures intended for the future is necessary.

The task set by the 26th CPSU Congress of increasing the efficiency of the economy also fully pertains to the organs of economic management. The results of their activity, apart from all else, should find reflection in the increase of the productivity of managerial labor. What does it depend on?

The essence of management is first of all the purposeful influencing of people. Precisely the people who, in turn, run the machine tools, the machines. Therefore the return of managerial labor is manifested through the comparison of the results of the activity of production collectives and the number of workers participating in management.

And since the fruitfulness of the work of collectives is reflected most vividly in the indicator of labor productivity, the comparison of its growth rate with the change of the number of managers can become a criterion: Is the efficiency of their efforts increasing or decreasing? Such an analysis revealed that in some sectors of the national economy of Moscow the number of managers is increasing. And it is increasing more rapidly than productivity.

Preliminary estimates show: if this trend were to continue, the number of managerial workers in the capital by 2000 would increase by approximately 300,000. Moreover, it is a question, I recall, of the workers of the managerial staff. With

allowance made for their families this amounts to the fact that another city with a population of more than 500,000 should as if "appear" in the capital.

In recent years in the industry of Moscow the system of management has been streamlined: it has been changed over for the most part to a two- and three-shift system. The number of primary organizations has been reduced appreciably, the number of workers employed at a single facility has increased substantially.

At the same time during the past five-year plan the proportion of the number of managers increased by 1.1 percent. In a number of sectors this indicator is even greater and is increasing even more rapidly. For example, in housing and municipal services and personal service during the past 10 years it exceeded 3 percent.

What is the cause of the economically unjustified increase of the number of managers? An analysis by categories of workers shows: such groups as the managers of structural subdivisions and their deputies, chief specialists and engineers are providing the greatest absolute increase. And this is occurring, let us note, with a decrease of the office personnel, which testifies to the splitting up of not the basic, but the intermediate structural subdivisions.

And what about the performance of simple managerial functions? They are as if being transferred to a higher level. As a result, the time and knowledge of specialists are being spent on operations which do not require special skills. It is possible to name many factors which explain such a situation. But the main one, perhaps, lies in the lack of economic interest of economic managers, to say nothing about the managerial workers themselves, in performing the same amount of work with fewer forces.

Let us imagine ourselves in the role of a manager. If the question of seeking reserves for increasing efficiency at some works arises, any specialist will suggest: one must seek them wherever the fate of the basic indicators is decided. For example, the decrease of the production cost leads to an increase of the profit and the level of profitability. And this is correct.

Let us look further. What is a simpler way to decrease the production cost? Obviously, by influencing those units to which the greatest proportion belongs. And it turns out that in the materials-consuming sectors the wages of managers take up about 1.5 percent. So should one, some managers reason, undertake this, knowing how "delicate" this operation is? For even a small saving on raw materials, materials and the basic wage will cover and then some the possible gain in the wages of managers.

The manager of any level is always in the strong grip of the salary schedule. The salaries were fixed in advance for all positions. Up to now the "average" wage and the ratio of the senior and junior categories of workers were actually planned. This leads at times to paradoxes. An organization may retain three staff members with a salary of 120 rubles a month each, who are not able to perform even as a threesome the work which requires a specific level of skills of a single person. And at the same time it is impossible to hire instead of three people a single person, of a higher category with a salary of 220 rubles, since this will adversely affect both the average wage and the ratio of junior and senior specialists. As a result three workers are as if "withdrawn" from society, the wage fund is squandered and, what is the main thing, the work is performed poorly.



The new evaluation indicator, the standard net output, which is being introduced during the improvement of the economic mechanism, gives a more vivid idea of the real "cost of the management" of production. However, its use even in conjunction with other indicators does not fully solve the problem of the material interest of managers in increasing the degree of economy of the managerial staff.

What does this lead to at times? In spite of the creation of thousands of automated control systems and a large number of sectorial and regional scientific research organizations of this type, the efficiency of management as a whole is virtually not increasing. What is more, this sphere is consuming more and more manpower resources.

The creation of organizations of this type at times produces the opposite effect. They as if take from the manager a portion of the personal responsibility for the improvement of the system of management. Here and there they have concealed with a large number of plans, recommendations or else simply "projects" the daily work on the improvement of the staff, which the manager himself should first of all head and perform.

How is the economic manager to be made to face the solution of management problems? It seems that first of all the managerial workers and specialists should be interested economically in the performance of a specific amount of managerial operations with fewer staff members. It is a question in essence of carrying over the ideas of the Shchekino method to the sphere of management at all levels. It must be done with a smaller number, with better quality.

Where is one to begin? The wage fund of managers is to be set for enterprises, organizations and institutions in a specific ratio with the production volumes, the limit of their number is to be specially set. Moreover, the right and a real opportunity are to be given to managers to independently approve and change the salary schedule while using the standard structures and staffs only as procedural, recommended material. Finally the list of positions and the "spread" of salaries must be broadened. Of course, the details of such a reorganization require serious elaboration. For this purpose it would be advisable to conduct an experiment.

The local soviets of people's deputies can play an important role in the improvement of management. It is a question first of all of the use of manpower resources, territories, the available housing and nonresidential buildings, which are occupied by management organizations. Moreover, the local soviets are capable of making a great contribution to the solution of interdepartmental problems: the elimination of duplication, the establishment of cooperative ties, the work on specialization and cooperation, for example, of industry, in their regions. The creation of permanent commissions of deputies of the local soviets for the improvement of economic management could promote this.

A significant reserve of the increase of the efficiency of management lies in the extensive and sensible use of modern hardware components. The work now being performed in this direction suffers at times from excessive "globalness." Integrated automated control systems must be developed on the basis of the improvement of the components of the organizational and the economic mechanisms. And it is simply impossible to automate the disorder in the information flows, which is still frequently observed in management.

But here, too, a contradiction arises: if we first want to create effective organizational structures and to "introduce" more advanced methods, and this is an evolutionary, complicated and essentially endless process, we will never be able to say: "The system is completely ready for automation." If we begin to automate a still imperfect system, then by means of computers we will merely intensify the shortcomings which are inherent in it. What is one to do?

Obviously, the aim at the creation of all-encompassing systems also becomes an obstacle to the increase of the technical equipment of management. Computers should be used first of all wherever they are already objectively necessary today. For even at the present level of the organization of management the bulk of the work can be performed by means of calculators and typewriters, simple office equipment, copying and duplicating machines, which increase the standards of managerial labor. Therefore, it is expedient along with the creation of automated control systems for those levels, at which this is truly necessary, to elaborate and implement with a breakdown by sectors and regions comprehensive programs of the provision of management with means of small-scale mechanization, office equipment and communications.

Managerial labor also has an end product--decisions. And society is far from indifferent to what the cost of this "product" is. That is why managers must strive for the reduction of the production cost of their "commodity" and must increase its quality. If the task of increasing the degree of economy of management becomes a vital, daily matter for all managers, life itself will require the rejection of cumbersome structures which require the submission for approval of any question to tens of instances, which "disperse" the responsibility for a specific matter.

It is necessary also to change in many cases the style of work, having increased the workload on managers and specialists, and, what is the main thing, to increase the responsibility for the decisions being made. For fundamental, thoroughly substantiated decisions.

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CSO: 1820/160

## ECONOMIC POLICY, ORGANIZATION AND MANAGEMENT

### MANAGERIAL FINANCIAL ABUSES DISCLOSED

#### Situation Described

Kishinev SOVETSKAYA MOLDAVIYA in Russian 1 Apr 82 p 2

[Article by SOVETSKAYA MOLDAVIYA special correspondent M. Meleshenko (Orgeyevskiy Rayon): "Where Is the Director To Be Educated?"]

[Text] V. Sturza, chief of the Division of Audits of the Control and Auditing Administration of the Moldavian SSR Ministry of Agriculture, has worked for almost 30 years in the control and auditing organs of the republic. She has seen everything during those years, has had occasion to come across many unsightly phenomena in financial activity. But she, too, marvelled during the recent audit which was conducted at the parent enterprise of the Progress Scientific Production Association.

It has long been a question of the fact that in the financial affairs of the association, mildly speaking, there has not been enough order. Back in September 1978 the collegium of the ministry examined the question of serious violations of financial discipline at the farms of the Progress Scientific Production Association. For the permitted miscalculations, rather, for the illegal actions and the diversion of budgetary assets for the wrong purpose by Order No 438 L. Vayn, general director of the association, was /sternly warned/ [in boldface]. The collegium examined a similar question in September 1979. By Order 390 L. Vayn was /sternly warned/ [in boldface]. April 1980. Again the collegium of the ministry met to look into the financial disorder at the Progress Scientific Production Association and again /sternly warned/ [in boldface] the general director. 27 April 1981. The meeting of the Collegium of the Ministry of Agriculture. The question is the same: gross violations of financial discipline by managers of the association. The punishment: L. Vayn was /sternly warned/ [in boldface].

In all 3 months passed after the last violation, the fourth in number, when at the association events occurred, which forced the Collegium of the Ministry of Agriculture to meet again. Now the general director no longer got off with a stern warning. He was given--it is frightening even to say it--a /reprimand/ [in boldface]!

For what reason did they punish the director so "harshly"? The authors of a letter to the editorial board reported this. Here is what they write:

"In April of last year (let us note: in April, after the regular meeting of the collegium of the ministry!--M.M.) the managers of our scientific production association acquired illegally a Volga GAZ-24 passenger car. Illegally, since 15,000 rubles from the material incentive fund of the Orgeyev Enterprise for Pork Production went for its purchase. We have heard that the Collegium of the Moldavian SSR Ministry of Agriculture as if punished L. Vayn, general director of the scientific production association, for this, having given him a reprimand. Reprimands, they say, were also given to the other people involved in this event. But is the effect of such punishment great? The director, after all, as before drives in the Volga, moreover, daily from Kishinev, where he lives, to our settlement and back (in all a good 90 km), while the money has never been returned to the enterprise.

"The stand of the party committee and the rayon party committee surprises us: for L. Vayn is a communist, and on his initiative not simply a gross financial violation, but an offense which runs contrary to the CPSU By-Laws was committed! Why did they not look into things with the communist from a party stand? Why did they not notify the party organization, in which Comrade Vayn is registered, about what had happened?"

Unfortunately, the authors of the letter preferred to remain incognito, which, undoubtedly, does not show them much to great advantage. But in point of fact the question was correctly raised by them: since a party member had committed an offense, the party organization cannot and should not remain aloof. The case of the illegal acquisition of a car and the use for this purpose of assets from--just think!--the material incentive fund of people should have not simply worried, but have sounded a real alarm in the party organization of the enterprise. Especially as not the general director alone, but with tens of comrades, the majority of whom are communists, were involved in this event, which is unsightly in all respects.

Among them is P. Chernyan, director of the Orgeyev Enterprise for Pork Production, who for several days tried to persuade A. Golub, the accountant of the enterprise, to perform the illegal operation and, in the end, did persuade her.

Among them is B. Karas', chief engineer of the Orgeyev Enterprise and secretary of the party bureau, who received 15,000 rubles on account and turned this amount over to the managers of the association.

Among them is S. Dralyuk, first deputy general director of the association and member of the party bureau of the parent enterprise, who personally went to the Bender Motor Vehicle Store for the Volga for the director, and not only, it seems, out of respect for a higher-ranking person, but also, apparently, for reasons of personal gain: for after acquiring the new Volga L. Vayn turned over for use to the deputy his "old" Volga (it looks no worse than the new one).

Indeed, the ministry punished the managers who had gone too far. How severely--let the appropriate organs judge this. The misfortune lies in something else: the party collective, in which Vayn, Dralyuk, Karas' and Chernyan work, remained aloof and ignorant of what had happened (and is happening).

"We heard something about this," says T. Boychuk, member of the party bureau of the shop party organization of the managerial staff of the scientific production association and chief of the economic planning service of the association. "Some kind of gossip is going around.... But I am not up on things."

"I cannot say anything specific about this," A. Negrutsa, member of the party bureau and economist for hog raising, echoes Tamara Andreyevna. "Perhaps the secretary of the party committee knows about everything...."

A. Urytu has headed the party committee of the parent enterprise of the Progress Scientific Production Association for a comparatively short time. But the above-described events occurred under him. Nevertheless, Andrey Ivanovich also "is not up on things":

"I do not know what happened there. True, I recall that as far back as last year S. Shaptefrats', former chief accountant of the parent enterprise, was outraged that they forced him to agree to some illegal operation. Shaptefrats' was dismissed, and it is hard to say how the matter ended there...."

It is well known how the matter ended: with the withdrawal of 15,000 rubles from the material incentive fund of another organization and the purchase of a Volga, which, let us note, to this day is carried on the balance sheet of the Orgeyev Enterprise--the bank does not recognize and cannot recognize as legal the actions taken in accordance with the will of the managers of the scientific production association.

However, it is, after all, not only a matter of the ill-fated car. In the party organization of the enterprise, in the party committee and in the Orgeyeskiy Rayon Party Committee they might not have known about this, in general, special case. But they should have known about the fact that for many years at the Progress Scientific Production Association arbitrariness in the use of state and cooperative assets had flourished with the connivance and direct participation of its managers. They should have known and should have held the guilty parties strictly accountable. Everyone is equal before the party By-Laws--both the rank and file production worker and the manager. Let us recall the words of Comrade L. I. Brezhnev from "Vozrozhdeniye" [The Revival]: "To protect the manager from criticism means to ruin him." They should have spoken demandingly and openly on time in the party organization with all the participants in the illegal operation. And should have held them accountable without waiting for meetings at a higher level. After all, the situation required that: rumors about a fuss with an unspecified amount of money, which had been taken from the material incentive fund, reached the workers of the Orgeyev Enterprise, while here it turned out that the issuing to the people of the set bonus for the decrease of the expenditures on the output of products was delayed for nearly half a year. And rumors went around: the managers of the scientific production association took our, they say, money, for this reason there have so far been no bonuses.

So the committed acts are illegal not only from a legal standpoint. They did considerable moral, ethical harm in the collective. And, of course, first of all the corresponding party assessment should have been given to them.

Is it perhaps that this did not occur because they became timid in the party organization and cannot bring themselves to condemn the behavior of the communist manager? Apparently, that is the case. For in what other way can one explain the fact that at the meetings in the shop party organizations of the parent enterprise and at the meetings of the party committee they have not heard for quite a long

time now reports of managerial workers? Here the communist managers reluctantly undertake public assignments, and if they do undertake them.... Such a practice, when the manager of an enterprise or a farm as a member of the party bureau or committee is responsible for the production activity, was condemned long ago. But here L. Vayn, a member of the party committee of the parent enterprise of the Progress Scientific Production Association, in the words of A. Urytu, is responsible for concentration and specialization! It is vague and incomprehensible. Here the party committee members should entrust the general director, for example, with the sector of socialist competition. Perhaps he would be careful, would give some thought before diverting assets from the material incentive funds of the workers for far from the most urgent and most important matter. Or, perhaps, they should have assigned to Lazar' Il'ich as a member of the party committee the sector of the campaign for economy and thrift. Perhaps he would then not have burned so wastefully along with his deputies S. Dralyuk and V. Stasenko state gasoline on trips home and back, for which, incidentally, all three were warned at a recent meeting of the Rayon Committee of the People's Control.

And this is the result: a superior economic organ has been educating the slow-witted director and his assistants for more than a year, rayon authorities are trying to call them to account, while the party organization....

"And what about the party organization?" the secretary of the party committee throws up his hands. "We, in general, understand: we must hear some one of our managers, properly make they answer. Only on what basis? Some pretext is needed, is it not. Now if there were material in the press, it would be a different matter."

Well, we are fulfilling this request.

#### Official Responses

Kishinev SOVETSKAYA MOLDAVIYA in Russian 11 May 82 p 2

[Article: "'Where Is the Director To Be Educated?'" ]

[Text] The managers of the Progress Scientific Production Association illegally acquired for the disposal of L. Vayn, general director of the association, a Volga GAZ-24 passenger car.

This, as well as a number of other unseemly facts at the Progress Scientific Production Association were reported in the material "Where Is the Director to Be Educated?" (SOVETSKAYA MOLDAVIYA, No 76, 1 April of this year). The editorial board has received a response to the criticism, which was signed by A. Urytu, secretary of the party committee of the parent farm of the scientific production association. Here is what is stated in it:

"The material 'Where Is the Director to Be Educated?' was discussed at a meeting of the party committee, and then at a general party meeting of the party organization. First Secretary of the Orgeyevskiy Rayon Party Committee A. Kishlar' took part in the work of the meeting.

"The party meeting acknowledged the statement of the newspaper to be correct. The poor work of the party committee on the development of intraparty democracy,

criticism and self-criticism, the low level of demandingness on communists and the failure by the party organization to use the right to monitor the activity of the administration were named as the main reason which led to the repeated violations of financial discipline at the association.

"The participants in the meeting came to the unanimous opinion that the management of the Progress Scientific Production Association had inadequately monitored the work of the planning and financial services of the association and the enterprises subordinate to it, and in a number of instances was the initiator of financial offenses.

"Thus, CPSU members L. Vayn, the general director of the association, and his deputy S. Dralyuk, who is directly responsible for the work of the planning and financial service, were the organizers of the illegal purchase of the Volga GAZ-24 passenger car. Strict party punishments were imposed on them. The party meeting pointed out to A. Urytu, secretary of the party committee, the displayed lack of discipline and the conciliatory attitude toward the cases of the violation by the communist managers of party and state discipline.

"In the decree adopted by the meeting it was noted that serious oversights exist in the style and methods of work of the administration of the association. The poor selection of personnel, miscalculations in their education, the low level of demandingness and the inadequate monitoring of the activity of the managerial staff and specialists are leading to numerous violations of labor discipline.

"The proper steps are not being taken on the quickest possible completion of the construction of housing and the transfer of managerial workers and specialists for permanent residence to the settlement of Progress, which is leading to the diversion of a significant amount of state assets.

"The meeting obliged the party committee to earnestly improve its work, to increase the demandingness on communists, to step up the campaign against mismanagement and waste and to enhance the role of the groups and posts of the People's Control and the commission for the monitoring of the activity of the administration."

A response to the material "Where Is the Director to Be Educated?" was also received from the Moldavian SSR Ministry of Agriculture. Here is what is said in it:

"The material has been examined in the ministry. The noted shortcomings were revealed by the control and auditing administration of the ministry, and steps have been taken with respect to them.

"To execute the decisions of the collegium by Order No 35 of the Moldavian SSR Ministry of Agriculture of 26 January 1982 for the failure to take steps and for other financial offenses L. Vayn, general director of the Progress Scientific Production Association, was given a strict reprimand and a warning that in case of a repetition of the violations in financial and economic activity the strictest measures of punishment will be imposed on him.

"As for the passenger car, it was purchased not from the material incentive fund, but from the working capital of the Orgeyev Enterprise for Pork Production. The illegally used assets at this time have been recovered.

"The ministry has elaborated measures, which are aimed at the improvement of the work of the association and the state of accounting and reporting and at the prevention of cases of the illegal expenditure of monetary and physical assets."

On the one hand, the comrades from the Ministry of Agriculture as if do not dispute the correctness of the criticism which was heard from the pages of the newspaper. But on the other, when speaking about the punishment of L. Vayn, they refer to the old order of 26 January 1982. But precisely the fact that after the "stern warnings," which were repeated year after year, the managers of the Progress Scientific Production Association continued to grossly violate financial discipline, while at the same time deriving personal gain, prompted the newspaper to direct the attention of the ministry and the party organization of the parent enterprise of the Progress Scientific Production Association to the lack of discipline and the lack of demandingness on the personnel.

What specifically was done by the ministry after the statement of the newspaper? There is no clarity in the response of the ministry on this account. But L. Vayn continues to use the illegally acquired car, as before is making the expensive daily trips from Orgeyev home to Kishinev and back, as before his three deputies are following the example of the general director, consuming state gasoline in excess of all norms. Moreover, it is a matter not only of the single violation connected with the acquisition of the Volga. And not only of the fact that the managers of the association are using official transport for personal purposes. I do not know about anyone else, but the ministry does have a large number of other facts relating to the association, which were detected as a result of the recent March audit of the scientific production association by the Control and Auditing Administration of the Ministry of Agriculture. Facts which testify that at the Progress Scientific Production Association the situation with the observance of financial discipline is more than bad.

As for the specification, from precisely what fund the 15,000 rubles were diverted for the purchase of the Volga, it is at least an attempt to pass off what is desirable as what is real. As A. Golub, chief accountant of the Orgeyev Enterprise, reported (and the materials of the audit of the Control and Auditing Administration confirmed this), the money was obtained from the bank in cash, under the guise of a bonus for the workers of the enterprise, in short, by deceptive means.

And another question arises when reading the response of the ministry. What does: "The used assets at this time have been recovered" mean? By whom and at whose expense?

The readers of the newspaper would also like to receive a concrete response to all these questions.

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CSO: 1820/160



## PLANNING AND PLAN IMPLEMENTATION

### PLANNING METHODOLOGY, METHODS DISCUSSED BY EXPERTS

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 5, May 82 pp 64-80

[Article: "Urgent Questions of the Methodology and Methods of National Economic Planning"]

[Text] The drafting of long-range and current national economic plans is carried out on the basis of the long-term economic and social policy of the CPSU and a uniform methodology of planning. The USSR economy as an object of planning is the only national economic complex which encompasses all the units of social production, distribution and exchange on the territory of the country. At present the accomplishment of the most important strategic task advanced by the party for the long-range future--the increase of the efficiency of social production--is envisaged in the plans. The methods and methodology of planning and the system of indicators, norms and standards should be subordinate to its accomplishment.

Measures on the improvement of planning, its methodology and methods, which will be the basis of the drafting of the 12th Five-Year Plan, are being implemented in conformity with the decree of the CPSU Central Committee and the USSR Council of Ministers of 12 July 1979 on the improvement of planning and the perfection of the economic mechanism.

The editorial board of the journal PLANOVOYE KHOZYAYSTVO requested scientists and planning workers to respond, what questions of the methodology and methods of planning they consider to be most urgent in connection with the forthcoming drafting of the 12th Five-Year Plan; to state their opinion concerning the effectiveness of the indicators of planning in the leading sectors; to set forth suggestions on the improvement of the interaction of the various parts of the system of planning. The obtained responses to the indicated questions are published below.

Doctor of Economic Sciences Professor R. Belousov. The fundamentals of the methodology of national economic planning were formed for the first time in the USSR in the late 1920's and early 1930's. Since then individual assumptions have been improved, supplemented and refined, in short, the process of the development of

the system of knowledge and the methods of national economic planning without substantial, fundamental changes has occurred.

At the preceding stages of planning the problem of balance, which often took the form of the supply of material, manpower and financial resources and the solution of some major, but still individual national economic problems, was the main problem. Among them was the making of extensive, profound and at the same time rapid, from a historical standpoint, structural changes both directly in production and in socioeconomic relations.

All this required the considerable redistribution of resources and their concentration in the key directions. Accordingly, the questions of the production and distribution of scarce products held the central place in national economy planning, which could not but affect the specific methods of planning and the theoretical generalizations of established practice.

At the present stage the conditions and tasks of economic and social development have changed, which presumes the corresponding revision of the methodology of planning. Its essence consists in the consistent orientation of planning toward the increase of the efficiency of social production. In other words, it is necessary to master more effective methods and tools of influencing the saving of time in all the forms of its manifestation, to step up the attention to the factors of the intensification of reproduction and by means of this during the next few years to increase considerably the amount of national income with practically no increase of the number of those employed in the sphere of physical production and with a negligible increase of accumulations, as well as primary material and energy resources.

As the experience of the 1970's showed, the methodology and tools of planning should be better prepared for the accomplishment of this task. First of all it is necessary to substantiate theoretically the category of national economic efficiency in the unity of its economic and social aspects. As paradoxical as this may be, so far there is no clarity with respect to what should be considered the criterion of the evaluation of the results and the use of resources at the level of the national economy, the sector, the region and the enterprise. Obviously, the end results of production activity at each level do not coincide with each other, but meanwhile they should be connected by a common criterion. There are even more discrepancies in the area of methodology with respect to the determination and the evaluation of the amount of use of (consumed) resources with allowance made for the time factor.

The elaboration of the methodology of planning the processes of reproduction is far from completion. The questions of the production and distribution of products, capital construction and the spheres of commodity-money circulation are examined separately in both practice and theory. In the real world the national product passes in its movement through all the stages of reproduction. Therefore, stable proportionality should be maintained only on the condition of a comprehensive approach to the planning of both the natural flows of material wealth and the change of its commodity-money forms.

The current methodology of planning has also inadequately revealed the dialectical unity of the ratios of balance (proportionality) and the saving of time (efficiency). Meanwhile, only in the case of a high degree of balance, including of the

physical and value proportions, is it possible to achieve a high level of efficiency. At the same time efficiency is a necessary prerequisite of stable proportionality and, on the other hand, disproportions lead to unjustified expenditures, while the latter, in turn, aggravate the disturbance of proportionality.

The practice of planning from the standpoint of its tools was also inadequately prepared for the active purposeful influencing of the factors of the increase of efficiency. Until recently the very arbitrary indicator of labor productivity (according to the gross output) was used in it and the directional standards of the specific consumptions of materials and power for obtaining a unit of the end result were not used. There is still no composite indicator for the generalized evaluation of the level and dynamics of production efficiency. The indicators of the use of individual resources: the labor-output ratio, the capital-output ratio, the production cost, the specific capital intensiveness and others, functioned in place of them. But for the present it is not clear how to make them into a uniform system.

Whereas under the conditions of a market economy the rigid standard of socially necessary expenditures is spontaneously made known to each commodity producer (and no one can adjust or abolish such a standard), under our conditions planning should master the tools of the socially necessary expenditures (in both physical and monetary terms) in order to utilize more fully the law of the saving of time in the management of the national economy.

There should be drawn from this the conclusion that the elaboration of the appropriate plan indicators for the evaluation of efficiency and their quickest possible introduction in the practice of national economic planning is extremely necessary.

In recent years the so-called goal program method has been used more extensively for increasing the level of the soundness of the national economic plan. This is making it possible to examine the most important problems with allowance made for all the factors which promote or, on the contrary, hinder their solution.

However, the complicated problem of linking such programs with the plan is arising. Material and financial resources, which a specialized organ, which should be responsible for the end results of their use, should have at its disposal, should be specially allocated for the solution of individual problems (for example, the food problem).

The goal programs should be drafted before the beginning of the planning period. Otherwise resources will not be allocated for them or the proportions incorporated in the plan will have to be upset, which usually entails irregularities and dislocations.

Ye. Ivanov, deputy chief of a department of USSR Gosplan. In connection with the forthcoming drafting of the 12th Five-Year Plan the further improvement of the scientific methods of determining the national economic priorities is the most urgent question of the methodology and methods of planning.

The main economic and political problems in our country have always been solved by the establishment in the plans and the realization of national economic priorities. At the various stages of the building of socialism they were the development of

the coal industry, metallurgy, individual sectors of machine building, the petroleum, gas and chemical industries and agriculture, as well as the solution of social problems.

The possibility of the planned specification of the national economic proportions and the purposeful directive allocation for them of material, manpower and financial resources and the rigorous achievement of these priorities in the process of fulfilling the plans are the most important advantages of the economy which is based on the socialist ownership of the means of production. The main thing in drafting plans, especially long-range plans, is the proper specification of the national economic priorities. A priority, which is incorrectly specified in the plan, can lead to negative consequences. Of course, a scientific approach, the knowledge of objective economic laws and the participation of the broad masses of working people in the drafting of plans provide the conditions for the proper specification of priorities. But there are, in our opinion, a number of procedural and organizational problems which require solution in the process of drafting the 12th Five-Year Plan. Here are just a few of them.

First, what national economic problems can be considered priority problems? To be sure, those, the solution of which ensures to the greatest extent the accomplishment of the strategic aims of the party for the coming period. Here it is important to specify quantitatively the extent of involvement of one national economic problem or another in the assurance of the accomplishment of these strategic aims. Unfortunately, the standard economic indicators, which characterize the proportion, for example, of a given sector in the end national economic results, are insufficient. A specific set of qualitative and quantitative attributes, which distinguish the priority problem from the nonpriority problem, apparently, is necessary.

The second important procedural question is the proportion of the priorities in the national economic resources which are required for their accomplishment. For a necessary condition of the accomplishment of priorities is the primary and complete allocation of all resources for their achievement. But these resources are also necessary for the solution of other problems which are necessary for the development of the economy. The accomplishment of priorities should not lead to the lag of all other sectors and types of production. Let us imagine such a situation, when the sectors and problems, which require for accomplishment 80 percent of the capital investments established for a given period, are specified as priority ones. But the need to shift capital investments for the solution of newly arising problems arises in the process of working on the plan and during its fulfillment. The making of such a shift by means of the remaining 20 percent can lead to some delay of the solution of nonpriority (but by no means unnecessary) problems, since one-fifth of all the resources is, apparently, too small an amount for shifting. To affect the priority portion means to deprive these sectors and problems of priority. In our opinion, the proportion of all priorities in the national economic resources should be within the range of 25-35 percent. In this case there is certainty that regardless of a change of the amount of all resources and the emergence of new problems these resources will be adequate for the backing of priorities and for the necessary redistribution at the expense of the nonpriority portion (this, of course, does not concern those types of resources, which by their nature are intended primarily or entirely for the solution of some problem).

At present the sectors of the fuel and energy complex and agriculture, which in the plan of the 11th Five-Year Plan take up about half of all the capital investments, are recognized as priority sectors. Painstaking work on the determination of the most effective means of using capital investments will be required in case of the maintenance of the indicated priorities for the future.

In this connection the question of the duration of the effect of some priority arises. It would seem that the answer to it is clear: a priority should be in effect until the solution of the problem. But there are sufficiently high priority problems, the complete solution of which goes beyond a 15- to 20-year period. Let us imagine an instance when the priorities specified in the five-year plan will be in effect precisely as priorities during three to four five-year plans. This means that during this entire period either no other sectors and problems can be recognized as priority ones or the proportion of all priorities in the resources will exceed the permissible amount. In our opinion, in each five-year plan it is necessary to reconsider the priority of some sectors and problems or others.

About the indicators. From a general economic standpoint it can be said that the sectorial indicators of planning should first of all conform to the requirement of the maximum combining of the interests of the national economy and the collectives of working people. The most important demand on the plan indicators is their orientation toward new equipment and technology. It is necessary to see to it everywhere that new equipment is introduced extensively and rapidly. With reference to machine building the indicators, which characterize the quality, the technical level and the efficiency of the equipment being produced, should acquire greater and greater importance.

With respect to the coordination of all the parts of the system of planning it should be said that this problem is not simple. If the plan is firmly balanced, the satisfactory coordination of all the parts of the system of planning is thereby also ensured. It is even better if in the plan adequate reserves of resources are envisaged at all the levels of the economic system.

Strictly speaking, the plan is also a program, but a program of the development of the entire national economy, while the program is also a plan, but only with respect to some part of the national economy. Therefore the program and the plan are related in the same way as the part and the whole. Taking into account that, as a rule, priority problems are liable to program elaboration, the interaction between the plan and the program reduces to the problem of the coordination of the priority and nonpriority parts, which was discussed above.

The coordination of the sectorial and territorial plans is more complicated. Real differences of the interests of sectorial and territorial organs of management at times lie behind it. The coordination of interests is easier, when there is a reserve of resources, when the plan has been reliably balanced, that is, when it is possible to satisfy both interests. When there is a shortage of resources, this is more difficult. The drafting of a plan is always a process of considering interests and making decisions. If this process has been set up, the quality of the plan will be higher and the coordination of all the parts and sections of the plan will be ensured. If in this case not all the interests are weighed and not all of the conflict situations have found a sound settlement, the plan may turn out to be unbalanced, without the proper coordination of its parts.

One of the causes of such a situation is the fact that all the questions of the most varied importance and scale are being settled only on a single level, by some one manager. The settlement of many questions should be delegated to lower levels.

Corresponding Member of the Ukrainian SSR Academy of Sciences N. Chumachenko. From the group of urgent questions of the methodology and methods of planning I consider it expedient to single out the methods of planning the effectiveness of scientific and technical progress. Under the conditions of the developing scientific and technical revolution the changeover to the preferential use of intensive factors of economic growth depends directly on scientific and technical progress. During the 1980's nearly the entire increase of the production volume and the profit should be obtained by means of the implementation of measures of scientific and technical progress.

The analysis of the statistical data for the past five-year plan shows that the increase of the profit in the national economic does not correspond to the actual economic impact of the measures of scientific and technical progress. For the country as a whole during the years of the five-year plan the additional profit from the implementation of measures of scientific and technical progress came to 14,903,000,000 rubles.<sup>1</sup> The increase of the profit of state enterprises and economic organizations during this period came to 11,210,000,000 rubles (p 503). But it must be taken into account that during the five-year plan the economic impact from the use of inventions and rationalization proposals was specified in a greater amount.

The effectiveness of such proposals is often overstated in the calculations. The possibility of overstating the amount of the economic impact leads to the implementation of obviously unprofitable measures. And the shortcomings of the planning of the influence of scientific and technical progress on the economy of the association (enterprise) is one of the causes of such a situation.

As an example it is possible to cite the method of compiling the technical, industrial and financial plan.<sup>2</sup> The identification of the influence of the increase of the technical level of production and the introduction of computer hardware is envisaged when planning the decrease of the production cost with respect to technical and economic factors (p 153). But the breakdown of the components of the factor of the increase of the technical level of production in Form 30-TP (pp 332-333) does not coincide with the list of Form 05-TP "Cumulative Results From the Implementation of Measures in Accordance With the Plan of Technical and Organizational Improvement" (pp 250-254). In Form 05-TP along with the decrease of the production cost under the influence of the corresponding factors it is also envisaged to identify the decrease of material expenditures, but in specialized forms (06-TP - 10-TP) the calculation of the decrease of the material expenditures is not called for. As a result of the discrepancies in the standard method at associations and enterprises

1. See "Narodnoye khozyaystvo SSSR v 1980 g." [The USSR National Economy in 1980], Moscow, "Statistika", 1981, p 100.
2. See "Tipovaya metodika razrabotki tekhpromfinplana proizvodstvennogo ob'yedineniya (kombinata), predpriyatiya" [The Standard Method of Drafting the Technical, Industrial and Financial Plan of the Production Association (Combine), Enterprise], Moscow, "Ekonomika", 1979.

the planning of the influence of scientific and technical progress on the economy is inadequately sound. Therefore the examination of this question and the determination of a reliable method seem necessary.

The second urgent question, in our opinion, is the time of the elaboration of the drafts of plans and their approval. In conformity with the decree of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers "On the Further Increase of the Role of the Soviets of People's Deputies in Economic Construction" the planning commissions of the executive committees of the oblast, city and rayon soviets of people's deputies draw up the five-year plans of economic and social development with the inclusion of the associations, enterprises and organizations of superior subordination, which are located on their territory. Up to now this work has not been completed, since a number of sectors have not approved the five-year plan for subordinate associations and enterprises.

The existence of the Comprehensive Program of Scientific and Technical Progress for 20 Years and the Basic Directions of the Economic and Social Development of the Country for 10 Years is creating the prerequisite beginning with the next five-year plan for changes of the time of the drafting of the five-year plan by approximately a year as compared with the previously existing time. This will make it possible before the beginning of the five-year plan to approve balanced plans of economic and social development at all levels with a breakdown by sectors and territories.

The indicators of planning are an important unit in the improvement of all planning work. In this area it is necessary to direct attention to the tendency, which exists both in planning and in the evaluation of the activity of economic units, to seek a single indicator which would almost automatically manage the economy. The impression is being created that such properties at present are being ascribed to the indicator of the standard net output. The authors appearing in the press, while indicating individual advantages of this indicator, as a rule, do not dwell on the shortcomings inherent in it. The trend toward a universal indicator can lead to substantial losses. The comprehensive approach should be named as an alternative to it. Only a system of indicators will ensure a balanced plan and evaluation of production operations.

And there is a second aspect of the question. For many years and decades scientists and experienced workers have come forth in the press with convincing evidence of the ineffectiveness of the use of the evaluation of the output of equipment in tons and of metal, paper, fish and other similar goods in actual weight. No one refutes these suggestions, but the evaluation in these measurers, which impedes the development of the economy, is continuing. We would like to hear either evidence of the expedience of retaining these measurers or a report on the date of their abolition.

As for the coordination of the various parts of the system of planning, it is necessary to stress the importance of the development of territorial planning. The supervision by the soviets of people's deputies of the development of the corresponding region on the basis of a comprehensive plan of economic and social development is called for by Article 146 of the USSR Constitution. This principle is also reflected in subsequent standard documents. But for the present procedural instructions on the compiling of the five-year and annual plan of the economic and social development of the oblast, kray, city and rayon have not been elaborated. Scientific institutions have taken definite steps in the solution of this

problem.<sup>3</sup> A uniform method, which has been approved by USSR Gosplan and is mandatory for both territorial and sectorial organs of management, is needed.

Here attention should be directed to some important demands on the method. The first of them is the group of indicators being planned. USSR Gosplan by the decree of 21 September 1981 approved a list of indicators of plans, which are submitted by associations, enterprises and organizations to the executive committees of the soviets of people's deputies for inclusion in the five-year and annual plans. But it was incomplete. This pertains to the indicators of social development and the increase of the standard of living of the people, data on the development of science and technology, the acceleration of scientific and technical progress and the cost of the output being produced are completely missing. A plan of the economic and social development of a region with a limited group of indicators eliminates the possibility of the comprehensive management of all processes.

The second demand on the method is its mandatory nature with respect to the organs of sectorial management. This pertains first of all to the submittal to the executive committee of the soviet of people's deputies of the drafts of plans, the approved plans and the changes in them, and with the observances of the set periods, which are sufficient for the formulation of the plan of the corresponding regions. It is also important to establish the obligatoriness and the time of the review in the organs of sectorial management of the remarks on the draft of the plan and the suggestions of the executive committees of the soviets of people's deputies.

The development of the goal program method of planning led to the elaboration of a system of republic, sectorial, scientific and technical and regional comprehensive goal programs. But, as the experience of the Ukrainian SSR attests, they have been drafted for a 5-year period. A merit of the programs is their coordination with the plan of economic and social development.

At the same time a substantial shortcoming of such an approach to programming is coming to light. There are serious national economic problems, for the solution of which a period much longer than 5 years is required. It is possible to name as examples of such problems the retooling and renovation of operating works; the reduction and elimination of manual and difficult physical labor; environmental protection and the efficient use of nature; the use of secondary material resources.

Long-range programs, which are aimed at the complete accomplishment of the corresponding task, are needed with respect to the problems in question. They should have alternative critical analysis with respect to the period of fulfillment and

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3. See "Metodicheskiye ukazaniya k razrabotke planov ekonomicheskogo i sotsial'nogo razvitiya avtonomnykh respublik, krayev, oblastey i otrasley respublikanskogo (RSFSR) podchineniya" [Procedural Instructions on the Drafting of Plans of the Economic and Social Development of Autonomous Republics, Krays, Oblasts and Sectors of Republic (RSFSR) Subordination], Moscow, "Ekonomika", 1978; "Nauchno-metodicheskiye osnovy kompleksnogo planirovaniya ekonomicheskogo i sotsial'nogo razvitiya regiona (oblast', rayon, gorod)" [Scientific Methods Principles of the Comprehensive Planning of the Economic and Social Development of a Region (Oblast, Rayon, City)], Kiev, "Naukova dumka", 1980.



the amounts of resources being used and should direct attention to them when formulating the basic directions, five-year plans and programs. The drafting of such programs is a difficult task. But without such guidelines the solution of major problems will be deprived of the necessary conformity to plan and consistency.

Doctor of Economic Sciences Professor A. Petrov. It seems to me that one of the very important questions relating to the area of the methodology of planning is the more precise specification of the object of planning and its classification. The concepts "national economy," "social production" and "physical production" are used in planning practice and in economic theory. In fact no distinctions are made between them. Practically everything is reduced to a single, all-inclusive category--the national economy.

The classification of the sectors of the national economy and industry specifies the attribution of the output produced in the national economy to different sectors, as well as a group of enterprises (according to the principle of the predominant volume of the output being produced) to different sectors of the national economy and industry.

In the mature socialist society, where this economy is represented as a national economic complex and not only the national economy, but also the scientific, technical and social spheres are covered by planning, the object of planning has become broader and more widespread. Therefore, a different classification of it is also needed.

At present the national economy is represented by two spheres--the production and the nonproduction sphere. Both the sectors of physical production and other sectors, which do not belong to it, are included at the same time in the production sphere. As a result, the boundary between social, physical production and other types of production has been lost. It seems that as the sphere of national labor practice the national economy in fact includes social production, the financial and credit system and trade. Social production is that economic category and that object of planning, which includes the sectors and types of activity, which directly create the national product in all its forms, and the sectors which serve this process. In such a form all the sectors of physical production, which are listed in the All-Union Classifier, form different forms and stages of social production. Physical production holds a leading place in it. The creation by its sectors of a physical product in the unity of the material and physical forms and the surplus product of society is a fundamental attribute. From the point of view of the functional and objective sequence of the processes, which occur in the sectors of physical production, and the economic purpose of the products being created by them, it is possible to distinguish five types, which can be grouped into the corresponding complexes: the extraction and production of basic raw materials, the production of materials and the generation of power, the production of tools of labor, the construction industry, the production of final consumer products.

Within social production the service industry should be singled out. It forms a complex and includes the sectors which do not create a product in physical form and a surplus product, but their activity is necessary for the functioning of physical production (production transportation, production communications, the information industry, geology, water management, material and technical supply, the procurement of agricultural products). Municipal services and the performance of personal services are structural parts of social production.

Thus, social production should have four complexes: physical production, the service industry, municipal services and the performance of personal services. It forms the first part of the national economy.

Within the nonproduction sphere first of all the sociocultural sphere (education, the improvement of the skills of personnel, the press, radio and television, the movies, museums, librarianship, art, public health, physical culture and sports, preventive treatment, recreation, the restoration of the health of the population, creative unions and organizations) should be singled out as the object of planning.

Within the classification such spheres as science, the management of the socioeconomic system and the administrative sphere of the service of society should also be singled out separately as an object of planning.

In such a form the object of planning is also represented by the set of spheres as a functional aspect, which reveals the specific functional nature of the national labor activity of different groups of society and their participation in the functioning of socialist society. But in the classification there should also be a second aspect--the physical and material breakdown of the object of planning, which would reflect the structure of the productive forces, scientific developments, consumer items, buildings, structures, equipment, apparatus, vehicles of nonproduction use.

Such a classification should be constructed as a matrix table, in which the interaction of the functional and the physical and material breakdowns of the object of planning as the unity of the objective and subjective aspects of the object of the planning of the economic and social development of society is revealed.

With respect to the indicators of planning it is possible to say the following. A system of physical and value indicators is used in the practice of planning. The latter are used on the sectorial level for the planning of reproduction processes, the substantiation and implementation of the national economic plan and the achievement of the interrelations between enterprises, between enterprises and the state, while they are used at the enterprise for the determination of the parameters, conditions and results of their activity.

There are grounds to assume that at the level of the enterprise value indicators have lost their meaning. They stimulate to a greater extent the production of output in value form, the saving of the resources which are calculated in monetary form, the profit and the incentive fund. At the same time these indicators do not stimulate the results of that activity of the enterprise, which is the main activity for it and characterizes the quality of the use of labor--the output of products in physical form, their quality, labor productivity in physical units and the use of fixed production capital. In other words, the value indicators characterize only the quantity, and not the quality of production. For this reason they shift the center of gravity from the quantitative effect to the value, monetary effect of the work of the enterprise.

The objective logic of the formation of value indicators is as follows: abstract labor--value (that is, the amount of labor)--the exchange value (the market and the recognition of the socially necessary conditions of production)--the price (the monetary expression of value). In our practice the logic of value categories is

constructed not from abstract labor to the price, but from the price to the value indicators. The price, owing to many circumstances, has been cut off from an objective basis. With allowance made for what has been said, it would be correct to establish in the plan for the enterprise physical indicators--the output of products, their assortment. We foresee the question: But what is one to do with the profit? It should be determined at the sectorial level. The activity of the enterprises will be shifted from commercial to production activity and should be regulated by means of standards (standards of the use of production capacities, standards of all types of material resources per unit of output or performance of work, standards of the supply of material and technical resources, standards of payment according to labor), as well as state standards. Here the standards should be elaborated and approved at the same time as the development and approval of the design and processing method of the products.

Doctor of Economic Sciences Professor A. Kovalevskiy. In our opinion, the creation of a standard base for the drafting of a scientifically sound, balanced 12th Five-Year Plan is the priority, most labor-consuming and difficult procedural problem.

It is possible to say the following: without a standard base there can be no balanced plan. That is why in the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" of 12 July 1979 great importance is attached to the standard methods of planning and the elaboration of advanced technical and economic norms and standards.

To execute the indicated decree USSR Gosplan adopted a special decision (of 7 January 1980) on the creation of a system of norms and standards, in which the assignments for the ministries, the procedure and the period of the elaboration and approval of norms and standards are established. However, the methods coordinating conference, which was held at the Scientific Research Institute of Planning and Norms jointly with the Norms and Quotas Department of USSR Gosplan, showed that the majority of ministries and departments have done little in this direction.

But in order to create a standard base for the 12th Five-Year Plan, during the current year, 1982, the drafting of procedural documents (methods, instructions), on the basis of which the norms and standards will be calculated in 1983, should be completed.

For the preparation of sectorial procedural documents the Scientific Research Institute of Planning and Norms has drawn up the Basic Procedural Principles for Norm Setting and a number of standard methods. The improvement of the system of norms and standards with allowance made, in particular, for the tasks and peculiarities of the five-year plan for 1985-1990 is also envisaged. In this connection, a special theme is envisaged in the plan of scientific research work of the Scientific Research Institute of Planning and Norms for 1982. Therefore, the suggestions from workers of the ministries and sectorial institutes, the specialists of enterprises and associations on this question will be of great interest for us.

The solution of the procedural problem concerning the assurance of the interest of the workers of enterprises, associations and ministries in the adoption of stepped-up plans is an important task.

At the November (1981) CPSU Central Committee Plenum L. I. Brezhnev mentioned as one of the serious shortcomings in planning the lack of interest of enterprises in stepped-up plans.

The use in the ministries of those sectorial methods for the evaluation of the degree of intensity of the plans, which for the most part were oriented toward the notorious principle from the achieved level and placed under unfavorable conditions the labor collectives which work well, was the main cause of such a situation.

The Procedural Instructions on the manner of determining the intensity of plans, which were drawn up by the Scientific Research Institute of Planning and Norms and were approved by USSR Gosplan, eliminated the indicated shortcomings.<sup>4</sup>

However, the obsolete statutes on the compiling of stepped-up plans and the increase of their intensity by means of counter planning, which up to now are in effect at enterprises, do not promote this. The lack of a direct connection between the measures of the development of science, technology and the introduction of the achievements of scientific and technical progress with the indicators of all the other sections of the sectorial plans is also a serious procedural omission.

The most important component of the enormous economic potential of the country is the production capacities. The inadequate utilization of them (and, hence, of the economic potential) to some extent is predetermined by the Basic Statutes on the Calculation of Production Capacities, which have a number of procedural imperfections. For example, the principle recommended in them of calculating the capacity in accordance with the greatest bottleneck, even in the case of the elimination of such a bottleneck in the plan, is not conducive to the optimization of the interconnection of all the other links which make up the production capacity.

The indicated shortcomings in the preparation of procedural documents should be eliminated in the shortest possible time.

Corresponding Member of the USSR Academy of Sciences P. Bunich. Among the indicators, which are established by the plan, the evaluation indicators are of the greatest guiding importance. Among them today is the fulfillment of the plan on labor productivity and on the proportion of the output of the highest quality category. The incentive norms, which are obtained on the basis of these indicators, pertain to the profit, which thereby also forms an evaluation series. The overall result is adjusted subject to the fulfillment of the contracts, which makes them a fourth evaluation indicator. Finally, as of 1983 the indicator of the production cost will be included among the evaluation indicators.

The incentive for all these indicators increases in the case of a saving of the wage fund, material resources and the fee for capital, in case of the use of price mark-ups for efficiency and quality; all the additional bonus systems--for new equipment, the output of export products, the collection of scrap metal, the production of consumer goods made from production scraps and so on--influence it.

The prevailing incentive system has a number of major shortcomings. First, it places in a better position the collectives, which have understated the plan

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4. See PLANOVOYE KHOZYAYSTVO, No 5, 1980.

according to the results and have overstated it according to the expenditures, that is, it does not provide the economic conditions for the drafting of stepped-up plans, does not give advantages to the best works and vindicates the worst works, leads to leveling, for it does not create a mechanism of the reduction of individual expenditures to the socially necessary expenditures. The way out of this situation, apparently, lies in the evaluation of collectives not for the formal percentage of the fulfillment of the plans, regardless of their "density," but for the end national economic result, the actual contribution to it, that is, for the really created source of incentives. This, in turn, will ensure the adoption of stepped-up plans, without which it is impossible to obtain an adequate amount of resources and to achieve an increased scale of output, which corresponds to the high results of production and stimulation.

So that the collectives of enterprises might be responsible for the level of production efficiency (and not only for the fulfillment of the plan assignments which are established from above), it is necessary: in the case of the adjustment from above of the drafts of the plans of enterprises always to take into account the interests of the collectives; to develop self-financing and lending, which is subordinate to the centrally set proportions; to introduce prices which take into account the effect of the use of items.

Second, the evaluation indicators being used are not "weighed" with respect to the result, to the synthetic economic indicator. Their "weight" is subjective and leads first to overstimulation, then to understimulation. As a result, measures which are better stimulated, and not those which are of great national economic benefit, are implemented. In our opinion, it would be more effective to consider as a generalizing indicator the estimated profit, in accordance with the contribution to which the role of all the individual evaluation indicators should be evaluated. In this case there should appear as the conditions of the adequacy of the estimated profit the prices which reflect the effect of the introduction of an item; the fee for capital and the interest for credit--in conformity with their role and amounts in the system of planned regulation, the introduction where necessary of rent payments, the exacting of penalties from the guilty party, including for the nonfulfillment of contracts, in the amount of the caused harm, the introduction of a progressive profit tax.

In the proposed system the protection of the nomenclatural items of the plan and the fulfillment of the contracts is ensured by a number of economic measures. Let us name the main ones: the exaction of substantial fines with the corresponding decrease of the estimated profit and the economic stimulation fund; the increase of the stimulation funds in case of the early fulfillment of the contracts, when the client is interested in this (following the example of the transfer for the benefit of construction workers of a portion of the profit obtained by clients from the early use of facilities put into operation ahead of time); the preservation of the prevailing procedure of the evaluation of the fulfillment of the plan with allowance made for the contracts with the additional reduction of the incentive funds. The set of these measures will, it seems, be stronger than the ones being used.

In connection with the improvement of the economic mechanism it is impossible to develop in earnest the work on the coordination of the physical, natural and volume assignments with economic levers. Until recently economic levers "served" the

plan very poorly. Thus, prices were revised less frequently than a 5-year period and did not support the value methods of the fulfillment of the plans. The same thing concerned the norms of amortization, the interest for credit, the wage rates (salaries), the tax rates and others. Now a policy of the direct derivability of a number of economic levers from the physical, material and volume assignments has been outlined. It is intended to attach pricing to specific five-year plans and to make the rates, standards and others more "sensitive" to the plans. But the derivability of levers from the plan affected far from all the levers, and it is not scientifically sound enough and is formal. Finally, the task consists in the derivability of not only levers from the plan, but also projections of the plan from projections of the levers, in the assurance of their active coordination, without which it is possible to achieve either the best plans or precisely "measured off" quantitative values of the levers. In our opinion, it is time to begin to work on the above-named task. Specifically, we would like to develop an algorithm of the coordination of the physical proportions with prices, the amounts of capital investments with the standards of their effectiveness and the rates of investment interest, to determine the ratio of the fee for capital with other mandatory payments from the profit and to ensure the unity of the norms of amortization with the planned resources which are being allocated for renovation and repair.

Doctor of Economic Sciences G. Kiperman. In the area of planning methodology, in our opinion, the increase of the role of the balance method of planning and especially the strictest observance of the ratios stipulated by the planning balance are the main thing.

Balance in economic development is a mandatory condition of the effectiveness of any measures on the improvement of the economic mechanism. Unfortunately, this elementary requirement is not also observed. Thus, in 1981 the plan of individual sectors of industry was not completely fulfilled for various reasons, but the actual wage fund exceeded the planned wage fund. In agriculture the volume of output was also slightly less than in 1980. Taking the indicated factors into account, it would be possible to assume that wages would remain at the level of the preceding year. In reality they increased, which was not conducive to the proportionality of the economy.

In the development of sectors and works it is especially important to observe the ratios which are determined by objective production relationships. The elaboration of balances, which reflect these relationships, and their strict observance are a necessary condition of the effective development of the economy.

The tightening up of planning and economic discipline is a no less important condition. For this first of all the five-year and annual plans should be drafted during the period established by the decree on the improvement of the economic mechanism; the plans should be completely balanced, the assignments on production should be backed with material resources. It is necessary to reject distribution in accordance with the assets and the issuing of orders for products which production facilities being put into operation in the year being planned should provide: many of them are not put into operation in good time, and a chain of disturbances of production relations forms in the national economy. The national economy will gain only if the output of the facilities and capacities being put into operation during the year being planned are channeled into the reserve.

The system of indicators, which was established by the decree of 12 July 1979, conforms to the present conditions of the development of the economy, and at present it should not be changed. The main thing now lies in something else: in the rigorous fulfillment of the decree in all its parts, including with respect to the indicators. Unfortunately, the words of L. I. Brezhnev about the slow and ambivalent fulfillment of the decree also pertain, in our opinion, to the introduction of new indicators in practice and to the improvement of the ones being used. The main shortcoming is the still feeble activeness of a number of ministries and some sectorial departments of USSR Gosplan in the fulfillment of the decree in the area of the improvement of indicators and the underestimation of this work. For example, the need for the improvement of physical measurers in machine building, metallurgy and other sectors of industry was discussed in Paragraph 9 of the decree. However, not one ministry groups itself with the "other" sectors: neither the chemical and petrochemical industry nor the construction materials industry, although this question is no less urgent for them than for machine building.

In a number of instances instead of the serious improvement of the physical measurers they are trying to create the appearance of such improvement. As a result, in 2 years no substantial improvements have occurred in the Ministry of Chemical and Petroleum Machine Building, the Ministry of Construction, Road and Municipal Machine Building and the Ministry of the Machine Tool and Tool Building Industry, although the measurers of the output, which are being used in these ministries, do not meet the requirements of the increase of production efficiency and the decrease of its materials-output ratio.

Under the guise of the improvement of the physical measurers they often attempt to use value measurers in place of them. But the value measurer, which performs the functions of a physical measurer, leads to the reinforcement of the tendency to fulfill the plan by means of the increase of the output of expensive, materials-consuming and highly profitable items; to the upsetting of the interrelationship of the physical indicators with the value indicators. The hyperbolization of the role of value indicators (to the detriment of physical indicators) does not meet the requirements of the development of the economy.

The decree of 12 July 1979 in its content is of a comprehensive nature. But its fulfillment frequently lacks a comprehensive approach: individual provisions are introduced in isolation of each other, some are not introduced at all. It seems rational to compile a uniform schedule of the introduction in practice of all the provisions of the decree and to keep strict track of its punctual fulfillment.

Candidate of Economic Sciences M. Anisimov. Production associations (enterprises) are the basic unit of the economic system of the country. The effectiveness (or ineffectiveness) of measures on the management of the economy is realized precisely here.

The economy, which is based on the public ownership of the tools and means of production, can be developed harmoniously, if it is regulated by means of indicators which take into account statewide interests. The law of the planned, proportionate development of the socialist economy dictates this. But the number of indicators and the completeness of their coverage of the economy can be different. By means of them it is possible to regulate the rate and proportions of the development of the national economy or to attempt to regulate economic life in all its areas. But

this is unacceptable for the economy of an enormous country, which contains tens of thousands of enterprises, which are under far from identical conditions from the point of view of both the output being produced and the achieved economic results. The underestimation of this circumstance leads to the making of a fetish of indicators.

When drafting the five-year plans of economic and social development indicators (standards) for 22 items are approved for enterprises (production associations). It is prescribed for the enterprise not only what output (production in physical terms) should be produced and in what amount (the sales volume), but also what capacities should be put into operation, how much capital should be spent on this, how much profit should be obtained and how it should be used. The number of workers, engineering and technical personnel and employees, the amount of wages, the amount and types of materials, the amount of their saving, the amount of the impact from new equipment, the level of the decrease of manual labor and so on are also specified. If we add to this that there are in effect in the economy very rigid norms of economic legislation, which establish the procedure of the conclusion of economic contracts, the hiring and payment for manpower (rates, wage rates and so on), the system of the monitoring of economic and financial activity and, finally, the moral and ethical norms, which give the right to monitor the activity of the management of an enterprise not only to state and public organizations, but also to individual officials, it is possible to imagine quite clearly the possibilities of the economic independence of an enterprise and its management. The possibilities for the display of creative initiative are also closely connected with this.

The accepted methodology of long-range planning also operates in this direction. In conformity with it the enterprises begin the drafting of the five-year plans after the establishment for them of the control figures for the same 22 indicators which were discussed above. Such planning is more like the procedure of filling out the forms specified from above than the creative search for the most effective directions of the development of production.

Taking into account that enterprises have hundreds of thousands of highly skilled specialists who know the real possibilities of their enterprises better than in the ministries, it is difficult to overestimate the losses from such an organization of the matter; it is probably possible to assert that the very productive force of society is not being used properly.

It seems that the time has come to specify the actual role of indicators in the management of the economic system and to acknowledge the fact that the more extensive the system of approved indicators is, the fewer opportunities there are for truly creative initiative. From this it follows that it is necessary to decrease the number of indicators which are approved "from above," having left those which have a direct bearing on the requirements of the law of planned, proportionate development, while it is necessary to assign the rest to the category of estimated indicators, having limited their importance by the tasks of the analysis of the trends forming in the economy of the country. Such an approach will require not only changes in the practice of the planning and evaluation of the activity of enterprises, but also a reappraisal of the role of the organs of management of the economy of the country.



There is another important element of planning, which merits attention. The organization of production and the labor of workers at enterprises at present is based on the principles of intraplant cost accounting. For their most part they were formulated back in the prewar years, but various instructions, statutes and other legislative ordinances, which are aimed at the improvement of intraplant cost accounting and were dictated, as a rule, by special (temporary) conditions, were drawn up during practically every 5-year period.

As a result, such stratifications formed that at times it is difficult to discern the essence of cost accounting. In our opinion, the need has arisen to regulate intraplant planning, to elaborate scientific principles of intraplant cost accounting, which would take into account all the best things that practice has provided in this direction, and to repeal the statutes (ordinances) which do not meet the requirements of modern life.

A. Agafontsev, chief of a subdepartment of USSR Gosplan. Experience shows that the Procedural Instructions on the Drafting of State Plans, which are prepared by USSR Gosplan with the participation of scientific research institutes, specialists of the USSR Central Statistical Administration, the Gosplans of the union republics, USSR ministries and departments, promote a substantial increase of the level of planning of the national economy. The Procedural Instructions on the Drafting of State Plans of USSR Economic and Social Development, which were published in 1980, were prepared in conformity with the decisions of the 25th CPSU Congress and subsequent CPSU Central Committee plena and the decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning and Strengthening the Influence of the Economic Mechanism on Increasing Production Efficiency and Work Quality" of 12 July 1979. In the new edition of the Procedural Instructions the method of planning the development of science and technology, industrial production, agriculture, capital construction and other sections of the plan has been substantially improved and refined.

The method of drawing up the system of cost, material and manpower balances, balances of the national economy, the intersectorial balance of the production and distribution of output in the national economy and so on was made more precise for the purpose of improving the balance of the plans. A method of elaborating comprehensive national economic programs is given. The method of the economic and social development of union republics has been revised.

Now we have a reliable and qualified procedural basis for the drafting of the 12th Five-Year Plan.

When preparing the draft of the plan for 1986-1990, in our opinion, first, the problem of the planning of reserves acquires particular importance. Given the achieved levels and scale of production and the development of the social sphere the question of reserves of material and financial resources, production capacities and others is acquiring pressing importance. In this connection the standards and the procedure of the planning of the reserves require specification. Here the planning of the reserves should not cause a decrease of the technical and economic indicators, but is called upon to create the appropriate conditions for the more complete utilization of the production potential and the flexible shifting of resources in the interests of the effective development of the national economy.

Second, the question of the optimum intersectorial and intrasectorial proportions requires analysis. Their importance and influence on the development of the national economy are difficult to overestimate. Meanwhile, the determination of the proportions when drafting the plans does not yet have an adequate, scientifically sound method, while the standard base when determining the intrasectorial and intersectorial proportions in many cases needs revision. Therefore, when preparing the draft of the plan for 1986-1990 the most important intra- and intersectorial proportions in the national economy, which are anticipated at the end of the 11th Five-Year Plan, should be thoroughly analyzed, their possible influence on the development of the economy during the 11th Five-Year Plan should be determined and substantiated proportions between sectors and within sectors, which ensure the maximum increase of the efficiency of social production with allowance made for the real possibilities of the 12th Five-Year Plan and the strategic tasks for the more distant future, should be elaborated.

At present the Department of Long-Range Planning of USSR Gosplan is begin the preparation of the method of elaborating plan indicators for the long-range future. During this work it is intended to prepare scientifically sound views and a method of the determination of the consolidated indicators of the development of the country for a period of 10-15 years. Scientists and specialists of the national economy and planning organs are being enlisted in the elaboration of this method.

With respect to the indicators of planning in the leading sectors of industry the following should be noted. When drafting the plans the production of industrial output is determined on the basis of the task of the most complete satisfaction of national economic needs. The output of products in physical terms is specified in those units of measurement, which reflect correctly enough the volumes of output, its consumer properties and technical and economic indicators.

In the plan for the 11th Five-Year Plan the products list, which is approved in physical terms, was enlarged substantially by the additional inclusion of descriptions which are of great importance. In particular, in the State Plan of USSR Economic and Social Development for 1981-1985 more than 245 descriptions of machines, equipment, integrated lines, machine tools and others were approved for the sectors of machine building and metalworking. For the 10th Five-Year Plan 155 descriptions were approved. The group of machine building products, with respect to which a value measurer is used instead of a weight measurer (in tons) for specific items, was also enlarged.

At the same time with respect to some types of products of machine building and metalworking the measurement of the production volume in tons remains. In such subsectors as machine building for light and good industry the production volume is specified for the most part only in value terms. We regard this as a shortcoming of planning, which enables individual enterprises to produce output without the proper consideration of its technical and economic indicators and of those "profitable" only for the given enterprise.

We see the task in continuing the work with the participation of specialists of industry and scientists on the improvement of the planning of the indicators of industrial production, especially in machine building. This is a complicated problem, and it requires theoretical and procedural work on the proper level.

The problems of the coordination of the different parts of the system of planning (the plan and programs, territorial and sectorial plans) are reflected in the Procedural Instructions (1981), in which it is stated that comprehensive goal scientific and technical, economic and social programs, as well as programs of the development of individual regions and territorial production complexes are being drawn up as a component of the state plans for the solution of the most important intersectorial and regional problems.

Therefore, as a part of the plan any comprehensive goal program should be linked with respect to all the indicators by the plan itself. The system of its indicators is a component of the unified system of indicators of the state plans. The program breakdown of the plan should clearly reflect the special-purpose nature of the solution of the raised problems and should be characterized by specific end results. The programs should be backed completely by resources during the 5-year period being planned and in the annual plans. All the indicators of the programs, which are included in the next five-year plan, should be interconnected with the general economic, sectorial and territorial indicators, as well as with the balance sheet estimates.

When drafting the 12th Five-Year Plan it is necessary to ensure a high degree of soundness of the specification of the list of problems which are liable to elaboration by the program method. A strict and objective approach and the consideration of the real conditions for the elaboration and implementation of the programs are required in this important matter.

So that the drawing up of the programs outlined for inclusion in the plan for 1986-1990 would be carried out at a high level, it is necessary to implement in good time the system of measures, which is stipulated by the procedural instructions: the preparation of the input data, the determination of the elaborators, the content of the program, the work schedules and so on.

The extensive exchange of views on the raised questions attests to the great importance which is being attached to the improvement of the methodology and indicators of planning for the achievement of production efficiency.

Different points of view on many problems were expressed by the round table participants, some of them need refinement, further elaboration and substantiation. The editorial board of the journal hopes that the discussion of these questions will be continued, while the suggestions contained in these publications will be examined by the appropriate organs.

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CSO: 1820/168

## INDUSTRIAL DEVELOPMENT AND PERFORMANCE

### FRG: SOVIET INDUSTRIAL OUTPUT FAILS TO MEET TARGETS

Bonn DIE WIRTSCHAFT DES OSTBLOCKS in German 20 May 82 p 2

[Article: "Soviet Industry in the First Quarter Is Far Below Plan Targets"]

[Text] In the first quarter of 1982, Soviet industry only attained a gross output growth of 2.1 percent, while productivity rose by 1.5 percent. These results are far below this year's plan targets, which prescribed growth rates of 4.7 and 4.1 percent, respectively, for both of the (above-mentioned areas). As mentioned in the official economic report, indications of an improvement began to appear in March. Then growth rates would have amounted to 3.7 in output and 3.1 percent in productivity. Altogether, however, only 70 percent of the output growth in the first quarter had been attained in account of higher productivity. According to plan directives, it should be 85-90 percent.

Of the 57 individual indices cited in the official report, there were absolute output declines in 27 indices, in comparison with the results attained in the first quarter of last year. Among others, these decreases apply to steel, steel pipe, ferrous metals and rolled stock, turbines, forge-press machines, oil equipment, diesel locomotives, motor vehicles, paper, cement, reinforced concrete as well as several products of the consumer goods industry. Output has practically stagnated in oil and coal.

"Unfavorable conditions" are cited as the reason for the extremely poor segments of industry in the first quarter. The rivers, it is reported, may have carried little water due to the dry spell last year; the hydroelectric powerplants in turn might have produced too little power for industry. In view of the course of industrial development, which has been continually lagging for a long time, this reason certainly seems to be poor and more than an excuse.

CSO: 1826/49

## INTRODUCTION OF NEW TECHNOLOGY

### MINISTRY OF FINANCE SCORED FOR REPLY

Moscow EKONOMICHESKAYA GAZETA in Russian No 28, Jul 82 p 15

[Article by economists N. Kotin, D. Frantsev, N. Sokolev: "An Accounting of Actual Efficiency Is Needed"]

[Text] The question of planning and accounting for the economic effect of implementing scientific-technical measures has been raised repeatedly in EKONOMICHESKAYA GAZETA. At issue is the need to take measures for the most rapid completion of work on the systematic instructions for planning and accounting for the economic impact of implementing scientific-technical measures.

We should note that USSR Gosplan has completed definite work in this area and, in particular, has given precise instructions for planning the economic impact (during compilation of plans for economic and social development for the 11th Five-Year Plan).

However, this concerns planning. Unfortunately, judging by this index, none of the systematic materials was accepted. The USSR Ministry of Finance has not evinced the necessary interest in entering this most important index of scientific-technical progress on its books.

Our scientific research organization developed for its own branch a project of "Branch Instructions for Ascertaining the economic efficiency of automated control systems of industrial associations and enterprises [ASUP]" which envisages a procedure for bookkeeping and accounting for the effectiveness of introducing all scientific-technical measures, including ASUP. We sent the developed project for approval to the USSR State Committee for Science and Technology, USSR Gosplan and the USSR Ministry of Finance. The conclusions of the State Committee for Science and Technology as well as USSR Gosplan were positive. But the Accounting Administration of the USSR Ministry of Finance gave a negative reply. In its opinion, the procedure we proposed "will call for a lot of additional work by bookkeeping personnel."

In our opinion, however, such an evaluation is questionable. The developed project envisages accounting for the economic effect with the compulsory use of computer technology, so that in no way can it cause "a lot of additional work for bookkeeping personnel."

Not receiving a positive reply from the USSR Ministry of Finance, the developers of the branch instruction were compelled to propose, instead of bookkeeping, a recording of current operations and an accounting of the annual economic effect obtained from the introduction of ASUP. But as practical experience has shown, a rejection of bookkeeping for the movement of sum totals of the economic effect was by no means conducive to its accuracy and trustworthiness.

It is seemingly expedient for the USSR Ministry of Finance to return to this issue and ultimately to conform the instruction about a bookkeeping and accounting procedures for the effectiveness of introducing scientific-technical measures.

CSO: 1820/187

END